

## STATE OF SOUTH CAROLINA

## (Caption of Case)

Distribution-only water customers of Utilities Services  
of SC request the assistance of the Public Service  
Commission to reduce and control consumer costs.

BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA

## COVER SHEET

DOCKET  
NUMBER:

2009 - 39

2009 JAN 28 PM 12:34

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(Please type or print)

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NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

## DOCKETING INFORMATION (Check all that apply)

☐ Emergency Relief demanded in petition

☒ Request for item to be placed on Commission's Agenda expeditiously

☐ Other:

## INDUSTRY (Check one)

- ☐ Electric  
☐ Electric/Gas  
☐ Electric/Telecommunications  
☐ Electric/Water  
☐ Electric/Water/Telecom.  
☐ Electric/Water/Sewer  
☐ Gas  
☐ Railroad  
☐ Sewer  
☐ Telecommunications  
☐ Transportation  
☒ Water  
☐ Water/Sewer  
☐ Administrative Matter  
☐ Other:

## NATURE OF ACTION (Check all that apply)

- |  |  |  |
|--|--|--|
| <input type="checkbox"/> Affidavit                 | <input type="checkbox"/> Letter                            | <input checked="" type="checkbox"/> Request        |
| <input type="checkbox"/> Agreement                 | <input type="checkbox"/> Memorandum                        | <input type="checkbox"/> Request for Certification |
| <input type="checkbox"/> Answer                    | <input type="checkbox"/> Motion                            | <input type="checkbox"/> Request for Investigation |
| <input type="checkbox"/> Appellate Review          | <input type="checkbox"/> Objection                         | <input type="checkbox"/> Resale Agreement          |
| <input type="checkbox"/> Application               | <input type="checkbox"/> Petition                          | <input type="checkbox"/> Resale Amendment          |
| <input type="checkbox"/> Brief                     | <input type="checkbox"/> Petition for Reconsideration      | <input type="checkbox"/> Reservation Letter        |
| <input type="checkbox"/> Certificate               | <input type="checkbox"/> Petition for Rulemaking           | <input type="checkbox"/> Response                  |
| <input type="checkbox"/> Comments                  | <input type="checkbox"/> Petition for Rule to Show Cause   | <input type="checkbox"/> Response to Discovery     |
| <input checked="" type="checkbox"/> Complaint      | <input type="checkbox"/> Petition to Intervene             | <input type="checkbox"/> Return to Petition        |
| <input type="checkbox"/> Consent Order             | <input type="checkbox"/> Petition to Intervene Out of Time | <input type="checkbox"/> Stipulation               |
| <input type="checkbox"/> Discovery                 | <input type="checkbox"/> Prefiled Testimony                | <input type="checkbox"/> Subpoena                  |
| <input type="checkbox"/> Exhibit                   | <input type="checkbox"/> Promotion                         | <input type="checkbox"/> Tariff                    |
| <input type="checkbox"/> Expedited Consideration   | <input type="checkbox"/> Proposed Order                    | <input type="checkbox"/> Other:                    |
| <input type="checkbox"/> Interconnection Agreement | <input type="checkbox"/> Protest                           |  |
| <input type="checkbox"/> Interconnection Amendment | <input type="checkbox"/> Publisher's Affidavit             |  |
| <input type="checkbox"/> Late-Filed Exhibit        | <input type="checkbox"/> Report                            |  |

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Summary

## Summary of relief sought from the Commission

The residents of the following subdivisions; Dutchman Shores, Chapin, SC; Lakewood, Anderson, SC; Clearview, Anderson, SC; Greenforest, Anderson, SC; Surfside, Anderson, SC; and any other affected distribution-only water customers of Utilities Services of SC (USSC) respectfully request the following:

1. **Pass-through** – We request that the “pass-through” billing provision of purchased water included in the Commission Order No. 2006-22 for Docket No. 2005-217-WS be reversed. Alternatively, if “pass-through” provision remains we ask that procedures are identical to Kiawah Island procedures in Order No. 2002-285. Minimally, we request that USSC bill supply charges, whether included in a commodity charge or itemized as a supply charge, at exactly the same rate as would be published in a tariff approved by the Commission. Additionally, we ask for adjustment of all bills retroactive to the rate approval date under Docket No. 2005-217-WS.
2. **Water Pressure** – We request that USSC remedy the high water pressure in Dutchman Shores subdivision and be encouraged or ordered to perform regular pressure tests and leak detection on all water systems in South Carolina. Alternatively, we ask that USSC be required to test pressure on individual consumer meters when consumers report leaks/breaks in lines, and/or unusually high consumption.
3. **Reimbursement** – We request that USSC reduce the billings of Dutchman Shores residents in the amount of unusually high consumption reported from May 2008 forward. Additionally we would like reimbursement of extraordinary and unjustified “pass-through” supply charges.
4. **Timely Billing** – We request that USSC be required in the future to bill on a timely basis, or provide an alternate means for consumers to monitor consumption during periods with no billing.
5. **Reporting** - That USSC be held accountable for the questionable reporting on water loss report or refund consumers for negative water loss.
6. **Scrutinize Cost Basis** – We request that the cost basis for the published distribution charge be scrutinized. We would like to know how our distribution cost is justified.

## Statutory or other legal authority under which pleading is filed

We are exercising our right to seek Commission relief under SC Code of Laws 58-5-270, and have provided consumer signatures on the attached petitions.

**SECTION 58-5-270.** Applications and individual consumer complaints; hearings.

Applications may be made by any corporation, public or private, person, chamber of commerce or board of trade, by any civic, commercial, mercantile, traffic, agricultural, or manufacturing association or by any body politic, commission, board, or municipal corporation by petition in

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writing, setting forth any act or thing done, or omitted to be done, with respect to which, under the provisions of Articles 1, 3, and 5 of this chapter, the commission has jurisdiction or is alleged to have jurisdiction. Individual consumer complaints must be filed with the Office of Regulatory Staff which has the responsibility of mediating consumer complaints under the provisions of Articles 1, 3, and 5. If a complaint is not resolved to the satisfaction of the complainant, the complainant may request a hearing before the commission. The commission has jurisdiction to hear complaints regarding the reasonableness of any rates or charges that affect the general body of ratepayers; but the commission may at its discretion refuse to entertain a petition as to the reasonableness of any rates or charges unless it be signed by the mayor or the president or chairman of the board of trustees or a majority of the council, commission or other legislative body of the city or county or city or town affected by the subject matter of such complaint or by not less than twenty-five consumers of the public utility named in the complaint. Any public utility shall have the right to petition the commission on any of the grounds upon which petitions are allowed to be filed by other parties, including the fairness, reasonableness, or sufficiency of any schedule, classification, rate, price, charge, fare, toll, rental, rule, regulation, service, or facility of such public utility and in such event the same procedure shall be adopted and followed as in other cases.

We believe the Commission has jurisdiction over our requests under SC Code of Laws 58-3-140 (A).

**SECTION 58-3-140. Powers to regulate public utilities.**

(A) Except as otherwise provided in Chapter 9 of this title, the commission is vested with power and jurisdiction to supervise and regulate the rates and service of every public utility in this State and to fix just and reasonable standards, classifications, regulations, practices, and measurements of service to be furnished, imposed, or observed, and followed by every public utility in this State.

1) Pass Through

## **Item 1 – Pass-Through**

### **Detailed justifications for relief sought from Commission**

The USSC pass-through provision for purchased water was adopted into Order No. 2006-22 under Docket No. 2005-217-WS in item 9 in the Settlement agreement (attached as Exhibit A). The right to pass through water supply charges was granted by the Commission conditional on USSC

“...compliance with the procedure established by the commission in its Order No. 2002-285, Docket No. 2001-164-W/S.”

The pass through procedure established in Order No. 2002-285 (attached as Exhibit B) allows the Company to

“...pass through any increases in its water cost... (from bulk water supplier)... straight to its customers”.

The intent of this provision was so that with the pass through mechanism

“...the potable rate to the customers could be adjusted, with Commission oversight, on a timely basis, and eliminate the immediate need for a rate application to compensate for this expense”.

The order gave instructions to the Company to

“...submit its proposed adjustment for study at least 60 days in advance of its time to originate the new charge. The Commission would then have the ability to analyze the increase prior to it going into effect, and could reject it if any irregularities are found”.

It is our understanding that the Company referenced in Order No. 2002-285, Kiawah Island Utilities, bills their customers a basic facilities charge plus a specified commodity rate per 1000 gallons, plus a DHEC charge. Each time Kiawah’s bulk water supplier, St John’s Water Company, has increased its bulk water rates since the Order, Kiawah Island Utilities has submitted a letter and supporting documentation to the Commission for review and approval of each exact rate increase (most recent example is attached as Exhibit C). Kiawah Island has continued to bill its customers a consistent rate per 1000 gallons beyond each of its requests. It appears that Kiawah Island has employed a procedure which balances the spirit of the “pass-through” mechanism with the fairness of published tariffs. Any Kiawah Island customer can reconcile a bill with the current, published tariff schedule.

USSC has employed a much different pass through procedure with its customers. USSC is not merely passing through *changes* in supply costs, instead USSC is passing through the entire costs of purchased water. Instead of a commodity charge, USSC bills a rate per 1000 gallons for distribution, plus a rate per 1000 gallons for supply. (See USSC customer bill attached as Exhibit D and Kiawah Island Utilities bills attached as Exhibit E.) The distribution charge is defined in tariffs approved by the commission, but the supply charge escalates regularly with no commission oversight and is not published in an approved tariff schedule. We understand that the rate per 1000 gallons of supply on USSC bills is calculated by dividing 100% of the master meter bill serving a subdivision by the sum total consumption of consumer meters in that subdivision. We have several concerns with the USSC pass-through billing method:

- Distribution-only consumers pay for water lost between master meter and individual meters, yet consumers have no control or influence over controlling this expenditure. Water lost by USSC in the Dutchman Shores subdivision from September 2007 through August 2008 was 13.23%.
- Distribution-only consumers pay a distorted percentage of USSC distribution costs. There is no documentation in either of USSC's last two rate cases, Docket Nos. 2005-217-WS and 2007-286-WS, supporting the distribution charge per 1000 gallons. Based on the financial documentation provided by USSC during each of the two aforementioned rate cases, we cannot see how USSC allocated enough of their operating costs to justify our distribution rate. We need more documentation to assess a more appropriate charge for reading our meters, billing us, and handling customer calls.
- USSC has only employed the pass-through notice procedures outlined in Order No. 2002-285 one time for a City of West Columbia rate increase in 2006. We understand that City of Columbia has had a rate increase each July in the amount of about 5%, yet USSC has not asked for Commission review or given customer notification of any of these rate increases. This begs the question of how many other bulk water supply charge increases are being passed through to USSC consumers in South Carolina with no due diligence to follow ordered procedures. Since approval of rate case Docket No 2005-217-WS, the water supply charges have steadily and regularly increased from \$2.88 per 1000 gallons March 2006 to \$5.0134 per 1000 gallons October 2008 in Dutchman Shores subdivision (examples attached as Exhibit F) with no Commission review to implement these rate changes.
- There is currently no audit of compliance with the procedures in Order No. 2002-285 except customer complaint.
- The ability for USSC to pass-through any charges from bulk water suppliers does not incent USSC to watch costs. Although we do not understand how much influence private water resellers have with bulk water suppliers, we understand that consumers have virtually no influence. We do understand that USSC is not incented to control water loss, adjustments, individual consumer water leaks, etc under the current procedure.
- As distribution-only water consumers of USSC we are paying 212-238% of our neighboring subdivisions for the same water (see attached Exhibit G).

- USSC is passing through the entire cost of purchased water instead of passing through only the changes in purchased water cost. This is a blatant disregard of the spirit of the pass-through mechanism.

We also note that the Commission cited its concerns with the USSC distribution-only customer rates in its "Commission Directive", February 6, 2008, Docket No. 2007-286-WS as follows:

"Lastly, I was troubled by the testimony that we heard from Anderson-area customers. That testimony showed that the Anderson distribution-only customers are paying water rates that are much higher than those paid by their neighbors in nearby subdivisions, who purchase their water from the same municipal system. For example, Melanie Wilson testified that USSC customers in the Lakewood Subdivision already pay 142% more than their neighbors in the Green Hill Subdivision, who are customers of Hammond Water District. The proposed orders submitted to us by the ORS and the Company would result in Lakewood residents paying an estimated 182% more than Green Hill residents, based on the Hammond usage rate of \$2.34 per 1,000 gallons. I find this disparity troubling, and I have yet to hear a convincing explanation for it. The Company has also failed to provide a reasonable explanation for the proposed increase in the distribution-only rate."

Our request is that the Commission exercises its jurisdiction under SC Code of Laws 58-5-320 and stops the pass-through billing by USSC. Additionally we ask that the Commission exercise jurisdiction under SC Code of Laws 58-5-290 and adjust distribution-only customer water rates to a fixed rate per 1000 gallons. We ask to pay the same rate as turnkey customers' commodity charge (\$3.91 per 1000 gallons per 2005-217-WS, currently higher under Surety Bond billing) with no pass-through charges for water supply. Alternatively, we would ask the Commission and the Office of Regulatory Staff to establish a fair, justifiable, and competitive rate for us distribution-only water customers. At a bare minimum, we request to pay a published, approved tariff which is reasonable in the marketplace. We ask that the new rate structure be applied retroactive to the order approving the pass-through in Docket No. 2005-217-WS.

**"SECTION 58-5-290.** Correction by Commission of improper rates and the like. Whenever the Commission shall find, after hearing, that the rates, fares, tolls, rentals, charges or classifications or any of them, however or whensoever they shall have theretofore been fixed or established, demanded, observed, charged or collected by any public utility for any service, product or commodity, or that the rules, regulations or practices, or any of them, affecting such rates, fares, tolls, rentals, charges or classifications, or any of them, are unjust, unreasonable, noncompensatory, inadequate, discriminatory or preferential or in any wise in violation of any provision of law, the Commission shall, subject to review by the courts, as herein provided, determine the just and reasonable fares, tolls, rentals, charges or



classifications, rules, regulations or practices to be thereafter observed and enforced and shall fix them by order as herein provided.

**SECTION 58-5-320.** Recision, alteration or amendment of order or decision. The commission may, at any time, upon notice and opportunity to the public utility affected and the regulatory staff to be heard, rescind, alter, or amend any order or decision made by it. Any order rescinding, altering, or amending a prior order or decision shall, when served upon the public utility affected, have the same effect as is herein provided for original orders or decisions."

**Item 2 – Water Pressure**  
**Detailed justifications for relief sought from Commission**

Several consumers in Dutchman Shores subdivision have had major water line breaks on customer-side of meter. This has caused residents to incur repair bills for the lines and the expense of adding a pressure-reducing device on customer water line (example within attached as Exhibit M). Recently a plumber responded to a service call at 221 Dutchman Shores Cir, Chapin, SC and performed a pressure test where he uncovered a reading of over 150 PSI. The Office of Regulatory Staff then placed a request with USSC to measure pressure over the course of a week. The results displayed are attached as Exhibit H. USSC is out of compliance per SC Code of Regulations, 103-774, A, 2. Pressure should be no more than 125 PSIG. We ask the Commission to order or recommend that regular pressure tests be performed in all subdivisions, or alternatively, in subdivisions where water pressure problems have been identified or suspected, and that a program be enacted to encourage more acceptable water pressure of around 60 PSI. The results of a program like this would reduce unnecessary consumption, reduce customer bills, and reduce waste of a valuable natural resource.

### **Item 3-Reimbursement**

#### **Detailed justifications for relief sought from Commission**

USSC customers received bills at the end of September through beginning of October 2008 for June and July water consumption. These bills were extremely high due to unusually high water consumption, and the enactment of a disputed rate increase under Surety Bond, Order No. 2008-269. In Dutchman Shores subdivision alone many consumer bills were in excess of \$200, with several bills between \$700 and \$1600. These bills prompted a flurry of inquiries by consumers to private plumbing companies, USSC, the Office of Regulatory Staff, and even to attorneys. Dutchman Shores residents (and we suspect other USSC customers as well) attempted to establish the cause of the excessively high billing and how to remedy the situation to reduce future billing. The consumers bringing this action before the Commission are still uncertain as to how to manage this problem without intervention from the Commission. Largely, we consumers have found that:

- USSC offers advice to call a plumber to check for leaks, and offers a payment plan. When a consumer requests that inquiries are escalated to a higher level within USSC, none of our residents report a return call from management at USSC.
- Office of Regulatory Staff (Staff) prompts checks for faulty meters, pressure readings, and master meter audits. The Staff is responsive and professional, but lacks the authority to enact change with tariffs or procedures already established.
- Private plumbers report various findings, but largely, no leaks have been detected which would account for high consumption.
- Most consumers lack the resources to hire an attorney, although several have wanted the assistance of an attorney.
- Overall, limited resources are available to assist consumers in truly identifying the cause of high consumption. Consumers are left with no choice but to speculate about possible contributing factors. We wonder if the unusually high water pressure is contributing to our unusually high consumption. Many residents have begun reading their meter every day in an effort to better understand water consumption, but we have uncovered nothing other than high pressure that would explain our consumption. Please, see Exhibit I demonstrating the unexplained consumption increase during a one year period 2007-2008 by master meter for Dutchman Shores subdivision.

We have collected the names and contact information for consumers of USSC willing to testify and provide evidence supporting these claims. Within the attached Exhibit J is evidence supporting the claims of unusually high, and unexplained, water consumption and billing for many consumers.

We respectfully request that the Commission ask USSC to reimburse all distribution-only customers for consumption amounts greater than our normal average consumption from May 2008 through time when high pressure or other established cause of high

consumption is identified and remedied. Additionally we would like reimbursement of unjustified supply charges and costs incurred as a result of high water pressure. See attached Exhibit M sample of statements and/or bills which evidence costs incurred to repair damaged lines and add pressure-reducing devices.

**Item 4-Timely Billing**  
**Detailed justifications for relief sought from Commission**

USSC customers received bills at the end of September through beginning of October 2008 for June and July water consumption. These bills were extremely high due to unusually high water consumption, and the enactment of a disputed rate increase under Surety Bond, Order No. 2008-269. Because we did not receive billing in a timely fashion, many consumers had already used tens of thousands of gallons of water from May through September 2008 with no time to react, identify cause of high billing (leak, pressure, etc), or plan for a major budget expenditure right before the holidays.

We respectfully request that the Commission define “timely” for USSC and require that bills be mailed within the prescribed “timely” period after monthly meter reading. Additionally we ask that the Commission enact a procedure for USSC to provide an alternate means of consumer access to consumption levels during periods when bills cannot be sent in a timely fashion. We feel that USSC should be able to mail consumers some sort of notice, and/or provide a portal on their website, to advise customer of delayed billing and consumption levels for planning purposes. Again please see attached Exhibit J consumer bills evidencing late billing.

## **Item 5-Reporting**

### **Detailed justifications for relief sought from Commission**

See attached Exhibit K which is a spreadsheet that USSC provided to Staff reporting water loss. USSC reports an average water loss of 6.59%. We have several concerns relating to the validity of this report:

- This total includes 4 months with negative water loss, 2 of which are excessively negative. During the 2 months with excessively negative water loss, September and October 2008, Dutchman Shores residents were actually billed the highest supply charges per 1000 gallons that we have seen (\$4.72 per 1000 and \$5.01 per 1000 respectively). USSC did not provide copies of City of Columbia billing for these 2 months, but simple math demonstrates that something is way off with the water loss versus the supply charge billed to consumers. Staff asserts that our supply charge is calculated by dividing the City of Columbia bill by gallons consumed in individual meters, so our supply charge per 1000 gallons should be a fraction of what was actually billed by City of Columbia during these months. City of Columbia bills and a summary spreadsheet are attached as Exhibit I.
- All other documentation requested of USSC by Staff was provided by USSC from September 2007 through August 2008. It appears as though USSC added two additional months of reporting on the water loss report to defray the appearance of extreme water loss. We added an additional calculation below the USSC tallies on this report to demonstrate that water loss was actually 13.23% during the year in question. Adding the two additional months makes it appear as though USSC is attempting to hide water loss, and it also adds questions about extremely negative water loss.
- System flushing is reported as accounted water, but we question how system flushing could be exactly 40,000 gallons each time. It would seem logical that the master meter is read, then flushing occurs, then master would be read again to record exact consumption.
- A 76,091 gallon adjustment is reported for March 2008. USSC explained to Staff that this adjustment was for a leak at 103 Harding St. in Dutchman Shores and a misread meter at 132 Harding St. The resident at 103 Harding St. reports that she has never seen a credit for this water leak. We are not sure how a non-credited leak and misread meter can be counted in accounted water lost. None of this water was lost. In the case of 103 Harding St. the water was paid for and in the case of 132 Harding St the next month's meter read should have naturally caught this reading up.

We ask that the Commission order USSC to justify the numbers reported by them on water loss and reimburse Dutchman Shores residents for over-charging in pass-through supply charge. This may be taken care of dependant on the Commission ruling of our request in Item 1.

**Item 6-Scrutinize Cost Basis**  
**Detailed justifications for relief sought from Commission**

USSC is owned by Utilities, Inc. Utilities, Inc owns five water companies in SC, and many more besides. All five SC water companies are served out of the same office located at 110 Queen Parkway, West Columbia, SC. The same agents answer calls for all five companies and we suspect that common employees share other cross-company functions as well. Additionally, all billing is sent from corporate headquarters in IL, so we suspect that other cross-company functions are sourced from the corporate headquarters as well. In light of these companies being so closely intertwined we wonder if USSC used a more than appropriate portion of employee labor costs for justification in the USSC rate cases. Our speculation was further promulgated by the fact that USSC asked for another distribution rate increase in the 2007-286-WS docket. There is absolutely no reason why USSC should have incurred higher costs to provide meter reading, billing, customer service agents, and collection to us. USSC does not supply water to us distribution-only customers and, in fact, passes 100% of its variable supply costs through to us currently. We would like to be provided detailed financials outlining the allocation of costs incurred in distribution-only service to us and Utilities, Inc other water companies.

## Closing

We believe that USSC should be allowed to earn a fair rate of return. However, we also feel that consumers should have access to reasonably-priced potable water. Because we USSC distribution-only customers pay rates in multiples of what most other water consumers pay, we feel that one or more of the following should be investigated:

- USSC allow us to become consumers of supplying municipalities directly
- tariffs be adjusted to within 10% of supplying water system customers
- USSC cost basis be highly scrutinized

Because the rights to serve water in South Carolina seem to be allocated by many local governments, it would be a huge undertaking to effect change in this area. However, we have seen USSC give up its rights to serve water in smaller neighborhoods when USSC cannot supply water for as reasonable a price as the local supplying government. An example of this situation is displayed in Order No. 2006-350, Docket No. 2006-112-W when USSC sold its rights to serve water to Lancaster County Water and Sewer District. We question why USSC continues to serve us distribution-only customers in light of the fact that they are charging us upwards of 250% of what direct customers pay for the same supplying water. We are open to any direction in this regard.

Tariffs are established under the guidance of the Office of Regulatory Staff and the approval of the Public Service Commission, and we hold the highest regard for the missions of these agencies. We have asked the Office of Regulatory Staff to justify the cost basis directly associated with the approved charges to USSC distribution-only customers. The Staff asserted that the portion of USSC costs to operate the utility was “evaluated and determined to be appropriate.” Although we still question how a distribution charge of \$2.24 (currently billed at \$2.91 under surety bond) is justified, we are not sure how else to further pursue this.

We are just ordinary citizens who do not have the resources to launch full audits of this utility. We just know that we are paying 212-238% for the same water, and that we are paying this extraordinary rate for higher than average consumption levels which cannot be explained. Please, allow us USSC distribution-only customers the rate relief requested in this action. Petitions with upward of 90 signatures, representing 5 distribution-only neighborhoods are attached as Exhibit L. Additionally please see letters of support from Chip Huggins, SC House of Representatives, and Johnny Jeffcoat, Lexington County Council as Exhibit N.